MANITOBA LIQUOR CONTROL COMMISSION

68th ANNUAL REPORT

FOR THE FISCAL YEAR APRIL 1, 1990 TO MARCH 31, 1991

92-00580/

LIQUOR CONTROL COMMISSION
OPERATIONAL PHILOSOPHY

The Manitoba Liquor Control Commission is responsible for the purchase, sale and control of beverage alcohol of high quality, throughout the province. It is committed to a socially responsible and businesslike approach in its external and internal dealings. As a government agency, the Commission is sensitive to the needs of all Manitobans. Essentially the Commission functions as an effective retailer of regulated products, always combining business effectiveness with a strong awareness of social responsibility.

As a consumer oriented organization, the Commission recognizes the need for cordial relations with consumers. This is achieved through well-informed, helpful and courteous employees. Commission personnel are provided with appropriate training programs to improve their product knowledge aided by internal recognition and service awards. This ongoing process ensures a positive staff-customer relationship.

The Commission strives to support the objectives of the hospitality industry with a realistic enforcement of rules and regulations. It also takes an enlightened approach to innovative ideas.

Keeping the public well informed on all matters of interest including those matters required by law is an integral part of the Commission's approach to serving the citizens of Manitoba.

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LIQUOR CONTROL COMMISSION

(As at March 31, 1991)

BOARD OF COMMISSIONERS

Chairman.....Charles T. Birt, Q.C.

Vice Chair.....L. Dianne Lambert

Commissioner.....Joyce G. Buffie

Commissioner.....Wesley N. Goodspeed

Commissioner.....Sally J. Harrison

LICENSING BOARD

Chairman.....Edward T. Revel

Vice Chair.....Susan M. Barnsley

Member.....Linda G. Cameron

Member.....Charles Clark

Member.....George W. Lapp

EXECUTIVE OFFICERS

President & Chief Executive Officer.....Derek E. R. Smith

Vice President, Finance.....Al B. Ahoff

Vice President, Licensing and Corporate Secretary.....Irene A. Hamilton

Vice President, Purchasing.....Don V. Lussier

Director, Retail Operations.....Fred J. Johnston

Director, Human Resources.....Roman Zubach

Head Office and Warehouse

1555 Buffalo Place, Fort Garry

Postal Address — P.O. Box 1023, Winnipeg, Manitoba R3C 2X1

THE LIQUOR CONTROL COMMISSION ANNUAL REPORT

LETTER OF TRANSMITTAL

The Honourable Linda G. McIntosh
Minister Responsible for The Liquor Control Act
Province of Manitoba
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Madam:

I have the honour to transmit herewith the Sixty-Eighth Annual Report of The Liquor Control Commission, covering the fiscal year ended March 31, 1991.

Respectfully submitted,

Charles T. Birt, Q.C.
Chairman

July 2, 1991

THE LIQUOR CONTROL COMMISSION ANNUAL REPORT

Mr. Charles T. Birt, Q.C.
Chairman
The Liquor Control Commission
1555 Buffalo Place
Winnipeg, Manitoba

Dear Mr. Birt:

I am pleased to provide the sixty-eighth annual report of the Liquor Control Commission covering the fiscal year ended March 31, 1991.

Sales amounted to $348 million, a decrease of 3.4% or $12 million from the previous year. Net profit remitted to the Minister of Finance decreased by 7.1% or $10 million to $136 million.

The long-term trend of declining volume continued with a drop of 4.9% for spirits, 12.2% for coolers and ciders, and 4.7% for beer, compared with last year. Wine sales, however, remained relatively constant. As a result, sales of absolute alcohol declined from 6.3 to 6.0 litres per capita.

Sales volume declines are common to all Canadian provinces and the world. An aging population, changing attitudes towards health and life-styles, awareness of drinking/driving penalties, and an economic downturn have resulted in an overall reduction in the consumption of beverage alcohol.

In 1990, large amounts of alcohol were imported into Manitoba from the United States. The implementation of higher import taxes on quantities exceeding 9 litres in late December 1990 has resulted in a considerable reduction of imports for the last quarter.

Retail prices of spirits remained relatively stable, or declined slightly. Again this year, the Commission reduced markups on wines. However, prices increased slightly due to supplier price increases and the declining Canadian dollar affecting imports. An increase in federal excise tax was solely responsible for an increase in domestic beer prices.

The streamlining of our inventory management system resulted in reduced inventories and increased turnovers, without affecting the in-stock service level.

During the year, the Commission introduced two initiatives to assist the hospitality industry. These programs, costing $3.2 million, were the reduction of the supplementary licence fee to licensees from 12% to 2% in two stages, and a revised beer vendor discount structure to give the highest discount rate to the smallest hotels.

Continuing to reflect its concern for the environment, the Commission's recycling program gained momentum in the collection and recycling of non-deposit beverage alcohol containers on a fee-for-service basis. A total of 1.6 million lbs. of glass and PET (plastic) were collected by the end of the fiscal year, an increase of one million lbs. over the previous year. In addition, our Head Office employees established their own collection facility for recycling soft

drink and liquor containers, and donated the proceeds to an environmental organization. The Commission also turned over to the government $1.4 million in Environmental Protection Tax collected on its behalf.

In December 1990, our Northdale Liquor Mart, second busiest in the city, reopened following a major expansion including the introduction of a specialty wine corner. Our Swan River Liquor Mart also received an exterior facelift in December.

The Commission's major capital initiative, the point-of-sale cash register system, is in the final design stage with implementation to commence in June 1991, and will be completed by March 1992.

The Licensing Board travelled to Island Lake to hear an application for a liquor licence, and the Board of Commissioners subsequently met at that location to hear an appeal concerning the decision of the Licensing Board.

In July, the senior officers of the Commission engaged in the development of a three-year Strategic Plan. This Plan, approved by the Board of Commissioners and the Minister Responsible for the Liquor Control Commission, sets out the direction of the Commission for the years 1992-1994. An objective to ensure the effective use of all resources resulted in the reorganization of the Licensing and Inspection departments and the reduction of staff through attrition. In addition, a complete review of all operations is in progress.

We gratefully acknowledge the dedication, commitment and contributions of all our employees in serving the Manitoba public, whether through the retailing of product or licensing services. We consider ourselves fortunate to have such a supportive, loyal and knowledgeable staff. My personal thanks go to each and every one of them.

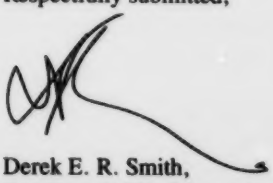
During the year, eight Commission employees retired. We thank them for their dedicated service and contribution.

The end of June 1990 marked the departure of William E. Emerson, who had served as the Commission's Chief Executive Officer for 10½ years. His leadership and dedication to the development of the Commission over that period is acknowledged with sincere thanks.

The Commission also wishes to acknowledge the valuable assistance of the R.C.M.P., the Winnipeg and Brandon police and all rural police forces and departments of Government in ensuring compliance with The Liquor Control Act, Regulations and Commission policies.

Operational highlights, the Auditor's Report, and the Commission's audited financial statements for the year with appropriate comparisons are provided in the balance of this report.

Respectfully submitted,



Derek E. R. Smith,
President & Chief Executive Officer
July 2, 1991

HUMAN RESOURCES

The number of permanent employees of the Commission at March 31, 1991, compared with 1990 were as follows:

	1990	1991
Executive Officers	7	7
Head Office	113	114
Distribution Centre and Order Office	42	38
Maintenance and Carpentry	13	10
Liquor Stores	218	206
	393	375

Note: During the year, the Commission employed 517 part-time employees which equated to 114 full-time employees.

Retirement and Long Service

During the fiscal year, 8 employees retired and presentations were made in recognition of many years of valued service at the annual Retirement and Long-Service Dinner. Presentations were also made to employees who received long-service awards.

Training and Development

During the fiscal year, the Human Resources Division through its Training Specialist, provided 108 course offerings for 469 participants. These training courses covered a spectrum of topics which encompassed all levels from senior managers to store clerks. The emphasis was on management training and customer service.

Employee Relations

In May of 1990, Phase I of the Performance Management System was implemented for retail store management/non-management positions. In March 1991, the System was implemented for all Head Office employees.

A corporate sexual harassment policy was developed and introduced in October 1990 to all employees. This was followed by a seminar on the topic for all senior management.

On October 1, 1990, the last phase of the Commission's Pay Equity Program was implemented. Adjustments were made to 66 employees in 14 classifications.

RETAIL OPERATIONS

Sales Results

In fiscal 1991, total sales of all types of liquor to the public through Commission liquor stores and privately owned and operated liquor vendors decreased 3.1% from $173,849,754 to $168,384,446.

Liquor Stores

At year end, there were 49 self-serve Commission liquor stores in Manitoba (Appendix I). Dollar sales to the public through these stores totalled $139,756,925, a 3.1% decrease from fiscal 1990. Licensees purchased approximately

$8,700,000 of liquor through the Commission liquor stores during the year.

Liquor Vendors

At March 31, 1991, there were 172 liquor vendors authorized to sell liquor at retail in rural Manitoba (Appendix II). Sales by this group accounted for 8.2% of Commission liquor sales in fiscal 1991. Liquor vendor sales to the public amounted to $31,320,423, a 3.1% decline from fiscal 1990. In addition, liquor vendors sold approximately $2,600,000 of liquor to licensees during the year. They earned discounts of $2,692,902 on aggregate sales of spirits, wine, coolers, ciders and imported beer.

During the year, 1 new liquor vendor opened, 12 changed ownership and 4 closed. Currently, 99 liquor vendors are self-serve.

Store Development

A major expansion and renovation of the city's second busiest Liquor Mart, located in the Northdale Shopping Centre on Henderson Highway, was completed in December 1990. The 7,314 square foot store was expanded to 9,098 square feet. The renovations included new wire fixturing, carpeting and an exciting new layout for added customer convenience. A new feature of this store was the Wine Corner which presents approximately 185 fine wines for the customer to choose from.

The front exterior of the Swan River Liquor Mart was refurbished in December with new windows and metal siding. This greatly enhanced the appearance of the store.

Renovations were completed in March 1991 to approximately half of the second floor of the Commission's Buffalo Place head office. The renovations made more efficient use of the existing space, providing employees with a more comfortable and spacious working area.

Merchandising

The in-store product sampling program was expanded during the year to include beer, coolers, ciders and liqueurs in addition to wine. The complimentary tastings have been very well received by customers. In addition, a program of wine tasting was successfully introduced in the Fine Wines Boutique in the Grant Park Plaza Liquor Mart; 2 wines being offered each week at a nominal charge for tasting.

Customers proved enthusiastic about the in-store product display program, particularly for the opportunities to engage in "draws" for prizes ranging from T-shirts to overseas holidays.

The "Wines of France" festival, held in May in all liquor marts and several liquor vendors, was the most successful import wines festival ever held in Manitoba, with over 54,000 bottles of the featured products being purchased by customers during the event.

In October, the 9th consecutive annual "Festival of Canadian Wines" was featured in all liquor marts and several liquor vendors. Over 118,000 bottles of featured Canadian wine were sold during this exciting event.

Beaujolais Nouveau was released for sale on Thursday, November 15. This year 7,200 bottles were sold.

The introduction of Gift Certificates in June of 1990 provided customers with a convenient method of meeting their gift-giving needs. The gift certificates are available in denominations of $10 and $25.

PURCHASING

Volume Sales

In fiscal 1991, spirits volume declined 4.9%; wine volume (including coolers and ciders) was down 3.0% while beer volume declined 4.7%. White wine sales volume declined by 0.9% and red wine sales decreased marginally by 0.5%; champagne and sparkling wine sales were down 6.8% while fortified wines increased 4.9%. Spirit coolers volume was down 2.7% while wine coolers and ciders sales were off 22.7%.

The decline in sales volume experienced during the fiscal

year can be attributed to a combination of factors including: the recessionary economic climate which caused reduced consumer purchasing; the more moderate consumption of beverage alcohol by an increasingly health conscious public; the social unacceptability and legal penalties which discourage drinking and driving and lower American retail liquor prices which promote higher levels of cross-border purchasing and smuggling of U.S. liquor.

Prices to Consumers

Prices of domestic spirits either declined in response to lower-priced imports or were stable throughout the fiscal year.

Although the Commission once again reduced markups on wines, most domestic wine prices increased slightly (approximately 3%) due to supplier increases, while many imports increased approximately 6% due to the declining value of the Canadian dollar. Domestic beer prices increased slightly (1.3%) due entirely to an increase in the federal excise tax.

During the year, one public price list, five trade price lists and an Affordable Wine Book were published. Featuring the new Eaton Place store on the cover, the 1990 edition of the public price list included an informative article on Canadian wines.

Distribution and Inventory

Continuing the trend of the last few years, throughput for the Distribution Centre declined 2.6% to 2,850,000 cases. In response to this trend, full-time positions were reduced by two through reorganization and reassignment of duties.

The average inventory decreased 6% to 192,000 cases and inventory turnover increased from 7.1 to 7.4 turns, while maintaining a 98% in-stock service level. Extensive stock flow planning eliminated the need for outside warehousing, even during the Christmas peak.

A new inventory management system was tested during the year and implemented in the fourth quarter for domestic products. Substantial savings in inventory investment are expected in the next fiscal year.

Users of the Touchtone Order Placement Service (TOPS) a 24-hour ordering system, grew to 273, an increase of one-third over the previous fiscal year.

A Licensee Orders and Returns Policy became effective in April. Supplementary fees on liquor were reduced from 12% to 7%, effectively creating a licensee wholesale price (a $2 million benefit to licensees). At the same time, licensees became responsible for delivery of liquor, resulting in a $100,000 savings in delivery costs for the Commission.

Products

To ensure that customers are provided with a variety and a quantity of products consistent with market demand, members of the Commission's Grading Panel met monthly, reviewing over 300 wines as potential new listings. The Grading Panel is composed of Commission staff with expertise in the area of product knowledge and is selected on the basis of a sensory evaluation testing program. Similarly, the Commission's External Panel reviewed over 200 wines as possible boutique listings. The External Panel consists of individuals from outside the Commission with a wide range of experience and knowledge relating to beverage alcohol, particularly wine.

During the year, over 100 slow-moving products were removed from the market and replaced with almost the same number of new products selected with the assistance of the tasting panels. Overall, there was a slight decline in the number of products listed at the end of the year:

	1990	1991
Spirits	514	502
Wines	502	515
Speciality products (spirits and beer)	61	70
Boutique products (wines)	483	470
Coolers and Ciders	49	44
Beers	117	110
Total	1,726	1,711

As part of the ongoing commitment to provide product knowledge education to employees, 36 employees completed the internationally recognized Basic Wine & Spirit Course. At the end of this fiscal year, 143 full-time employees have graduated from this course, with a further 22 attaining the higher level certificate course. These certificate courses enable our retail store employees to continue to provide knowledgeable customer service.

For licensees, two product knowledge courses are available, an intensive four-day Wine Servers Training Seminar aimed at managers and owners, and the two-hour Wine Workshop developed for food and beverage servers and held in the licensed establishment. During the year, 132 licensed premise staff took advantage of these programs.

For customers, five articles were submitted to and published in rural newspapers and four newsletters were sent to Fine Wine Boutique customers. The Commission also provided 15 wine information presentations to various external groups and organizations throughout the year.

In June 1990, the Commission began taking part in the Manitoba Telephone System Talking Yellow Pages. Two phone lines were used to provide weekly updates for customers regarding wine festivals, in-store samplings, boutique tastings and new listings.

In June 1990, the third biennial suppliers' seminar, Teamwork '90, was held. In total, 145 industry members and Commission personnel took part in the one-day event. Designed as a miniature strategic planning exercise, workshops were conducted, allowing the participants to discuss alternate ways to meet the challenges that will face the industry and the Commission in the nineties.

Recycling

During the year, the Commission continued its association with Manitoba Soft Drink Recycling Inc. to collect and recycle non-deposit beverage alcohol containers on a fee-for-service basis. Return rates showed a steady growth throughout the year and by the end of fiscal 1991 a total of 1.6 million lbs. of glass and PET had been collected. As well, by the end of the year the number of licensed premises from which MSDR collects empty liquor containers had nearly tripled to 83. It is anticipated that return rates will continue to grow as the public becomes more aware of the program and its benefit to the environment.

In May 1990, a recycling committee was formed for Head Office employees. Initial activities included the construction of a Head Office recycling collection facility for soft drink and liquor containers with the proceeds donated to the Fort Whyte Centre for Environmental Education.

LICENSING

During fiscal 1991, the Licensing Division put significant emphasis on customer information and education.

Five occasional permit seminars were held in Dauphin, The Pas, Flin Flon, Portage la Prairie and St. Pierre.

Two pilot rural licensee seminars were also conducted, one in Dauphin and one in Brandon.

The Licensing Board travelled to Island Lake to consider an application for a dining room licence. Subsequently, the Board of Commissioners heard an appeal to the Licensing Board's decision, also in Island Lake.

In September, the management group in the Licensing Division was reorganized, and the positions of Chief Inspector and Assistant Chief Inspector were deleted. These two positions are now titled Manager, Licensing Services and Assistant Manager, Special Investigations.

In January 1991, the Inspection Office in Brandon was relocated from the Provincial Building to the Chamber of Commerce Building.

The Inspection and Permits departments assisted festival organizers throughout Manitoba with the planning, promotion and operation of a number of events being held under the authority of an occasional permit.

The number of occasional permits issued in this fiscal year declined 8.5%, to 21,097 from 23,067. Additional fees for sale permits declined 9.7% to $1,324,000 from $1,467,000. Changing social attitudes were the major contributing factors in the decline of occasional permits.

AMENDMENTS TO THE LIQUOR CONTROL ACT

There were no amendments to The Liquor Control Act during this fiscal year.

One regulation was repealed and an amended replacement regulation registered. As well, four amendments to existing regulations were registered.

Manitoba Regulation 96/90 was filed May 4, 1990, defining rubbing alcohol and declaring rubbing alcohol to be liquor

under The Liquor Control Act, and also declaring when, by whom and to whom rubbing alcohol may be sold. This regulation repealed Manitoba Regulation 294/89.

Manitoba Regulation 138/90 was filed June 15, 1990, reducing the supplementary licence fee on liquor, except beer, from 12% to 7%.

Manitoba Regulation 251/90 was filed November 27, 1990, outlining new fees for imported liquor.

Manitoba Regulation 274/90 was filed December 19, 1990, reducing the supplementary licence fee on liquor, except beer, from 7% to 2%, and came into force the same date as the implementation of the federal Goods and Services Tax, January 1, 1991.

Manitoba Regulation 37/91 was filed February 12, 1991, declaring that no liquor vendor or licensee shall use liquor to secure a charge, loan or mortgage, or include liquor in inventory secured under a general security agreement, debenture, or other document that evidences a debt.

LIQUOR REFERENDA

One municipality and one town presented a by-law to their electors for approval of the issuance of new classes of licences within their municipality/town.

The results were:

- The Rural Municipality of Louise approved a by-law allowing a sports facility licence to be issued.
- The Town of Snow Lake approved a by-law to allow cocktail lounge, cabaret, sports facility, spectator activities, transportation, canteen and manufacturer's licences to be issued.

LICENSING BOARD

During fiscal 1991, the Licensing Board held fourteen regular public meetings and one annual public meeting.

Licence applications considered by the Board during the year included:

- 30 applications related to conversion to other types of licences and to the extension of licensed areas;
- 132 applications related to premises not previously licensed;
- 56 applications related to the purchase of existing hotels or restaurants;
- 27 applications dealt with changes in ownership of shares of a corporation operating licensed premises.

Also considered were:

- 13 applications related to obtaining an additional licence;
- 18 applications related to various miscellaneous licensing matters.

Licences

Licence changes during the year are listed below as at March 31st:

Licence	No. in Effect 1990	Issued New	Not Renewed or Ter-minated	No. in Effect 1991
Hotel Registration	331	6	7	330
Retail - Beer Vendor	303	7	6	304
- Brewer's Retail	2	Nil	1	1
- Sacramental Wine	4	Nil	Nil	4
Beverage Room	298	7	7	298
Dining Room	930	102	100	932
Transportation	13	2	Nil	15
Cocktail Lounge	303	35	37	301
Cabaret	19	4	4	19
Spectator Activities	18	3	1	20
Private Club	199	11	2	208
Military Canteen	48	Nil	4	44
Sports Facility	43	3	3	43
Manufacturer's	51	1	5	47
Totals	2,562	181	177	2,566

Two new hotels were constructed and four hotels were re-opened.

Number of Establishments Licensed for On-Premises Consumption as at March 31, 1991:
(these figures result from the net of new openings and closings)

	1990	1991
*Hotels	330	329
Private Clubs	199	208
Military Canteens	48	44
*Restaurants	586	587
Cabarets	15	16
Transportation Companies	13	15
Nursing Homes	19	20
*Spectator Activities	18	20
Sports Facilities	43	43
	1,271	1,282

*May hold more than one class of licence.

Administration of Occasional Permits

Occasional permits were issued as follows this year compared with last:

	1990	1991
Occasional permits (non-sale of liquor)	7,472	6,912
Occasional permits (sale of liquor)	15,595	14,185
	23,067	21,097
Occasional permits - Winnipeg	11,574 (50%)	10,690 (51%)
Occasional permits - balance of province	11,493 (50%)	10,407 (49%)
	23,067	21,097
Application for occasional permits withdrawn	564	578
Application for occasional permits disapproved	64	76

Disciplinary Action

The Licensing Board held 35 disciplinary hearings under The Liquor Control Act. The Board of Commissioners held 9 appeal hearings during the year.

Overall, disciplinary action in this fiscal year, compared with 1990 is:

	1990	1991
Licensees		
Warning Letters	27	38
Disciplinary Hearings	30	35
Appeal Hearings	7	9
Suspensions	22	31
Total Days Suspended	307	50
Other Action	0	2
Permittees		
Suspension of Privileges	21	14
Warnings	23	32
Hall Owners		
Suspension of Privileges	4	1
Warnings	19	27

Inspections/Investigations
The current and prior fiscal year's inspections and investigations are as follows:

TYPE OF INSPECTION	1990	1991
Occasional Permit Functions	3,421	3,404
Banquet Halls	327	185
Type of Licence		
Hotel Registration	1,480	1,468
Retail - Beer Vendor	4,995	5,697
- Sacramental Wine	29	1
Beverage Room	5,157	5,897
Dining Room	7,996	8,918
Transportation	17	23
Cocktail Lounge	3,270	3,259
Cabaret	479	620
Spectator Activities	79	126
Private Club	1,122	1,252
Sports Facility	65	98
	28,437	30,948

TYPE OF INVESTIGATION	1990	1991
* Occasional Permits (Prior to Issue)	1,571	1,670
Final Inspections for New Licences and Extension of Existing Licences	444	469
General Investigations and Complaints	1,116	1,188
	3,131	3,327

* Investigations resulted in 76 applications being cancelled or withdrawn as applicants did not comply with specific sections of The Liquor Control Act, its regulations and Commission policies.

INTERNAL AUDIT

Internal Audit continued to perform systematic reviews and appraisals of Commission operations for purposes of advising management as to the economy, efficiency and effectiveness of management policies, practices and controls. Improvements were recommended where appropriate.

During the year, 44 visits were made to 38 liquor stores consisting of 27 full audits, 1 operation review, 1 inventory count and 15 cash counts.

In accordance with the department's five-year resource plan, several Head Office audits were conducted including payroll, employee expense claims, the administration of salaries and benefits, and the appointment of liquor vendors. Specific testing was also conducted for price changes, cash receipts, and year-end warehouse inventory.

Special audit work was conducted at the request of management including a review of levies collected at border crossings, review of selected corporate systems under development and assistance in the acceptance testing of the point-of-sale computerized cash register system.

FINANCE

Financial Information: Fiscal 1991

In fiscal 1991, liquor sales decreased by $12,254,368 (3.4%) and gross profit decreased by $7,943,554 (4.9%). Income from licence fees and other sources decreased by $1,265,117 (14.8%) mainly due to a reduction in liquor licence supplementary fees. This decrease was partially offset by an increase in the collection of levies charged to travellers for importing liquor when entering Manitoba through border points. General and administrative expenses increased by $1,261,558 (5.2%) while fixed assets charged to operations decreased by $79,205 (5.1%).

The resulting net profit decreased by $10,391,024 (7.1%) to $135,558,529 which was paid over to the Province's Revenue Division of the Consolidated Fund. In addition to the net profit, the Commission also remitted Manitoba Retail Sales Tax of $18,184,216 and Environmental Protection Tax of $1,429,992 to the Province of Manitoba.

Included in the cost of goods sold is $38,960,487 paid to the Government of Canada as Customs and Excise Taxes and Duties and Sales Tax in respect of spirits, wine, imported beer, coolers and ciders. Excise Duty and Sales Tax on domestic beer are paid by the breweries directly to the Government of Canada.

There were a number of changes made to assist the hospitality industry during the year. The major changes were to reduce the licensee supplementary fee from 12% to 7% in April 1990 followed by a further reduction from 7% to 2% in January 1991. The Commission also increased the discount to beer vendors in April. These two significant changes reduced the Commission's profits by $3,194,662.

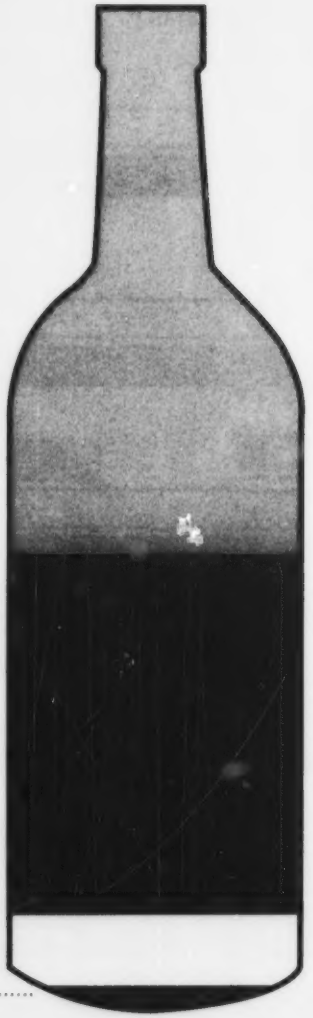
Other major changes included increasing the provincial fee collected at the border on casual importations in excess of nine litres on December 21, 1990 and reducing the retail sales tax charged on spirits, wine and coolers from 12% to 7% effective January 1, 1991.

The Commission began issuing gift certificates in denominations of $10 and $25 through stores and Head Office in June 1990 and issued more than 1,500 cheque cashing courtesy cards during the year, bringing the total issued to 2,024. The courtesy card allows individuals to pay for liquor by cheque and has been a very successful initiative.

Profit and Expense Ratios in Fiscal Years Ended March 31 ($000's)

	1987	1988	1989	1990	1991
Sales	$349,878	$364,987	$367,140	$360,342	$348,088
Gross Profit	159,562	168,642	167,780	163,422	155,479
Net Profit	141,862	151,451	130,202	145,949	135,559
General and Administrative Expenses	21,790	22,817	23,772	24,490	25,751
Fixed Assets Charged to Operations	765	658	1,233	1,553	1,474
Gross Profit as % of Sales	45.61%	46.20%	45.70%	45.35%	44.67%
Net Profit as % of Sales	40.55%	41.49%	40.91%	40.50%	38.94%
General and Administrative Expenses as % of Sales	6.23%	6.25%	6.47%	6.80%	7.40%
Fixed Assets Charged to Operations as % of Sales	.22%	.18%	.34%	.43%	.42%

SOURCES OF REVENUE



*Liquor Sales to Licensees
50.6% (1990 - 50.6%) .....

Liquor Sales Through Stores
39.3% (1990 - 39.1%) .....

Liquor Sales to Liquor Vendors
8.0% (1990 - 8.0%) .....

Fees and Other Revenue
2.1% (1990 - 2.3%) .....

DISTRIBUTION OF REVENUE

Suppliers and Freight
43.2% (1990 - 41.5%) .....

Province of Manitoba
38.2% (1990 - 39.7%) .....

Government of Canada Customs, Excise and Federal Sales Tax
11.0% (1990 - 11.8%) .....

General, Administrative and Fixed Asset Expenses
7.6% (1990 - 7.0) .....

*Liquor includes beer, wine, spirits, coolers and ciders.

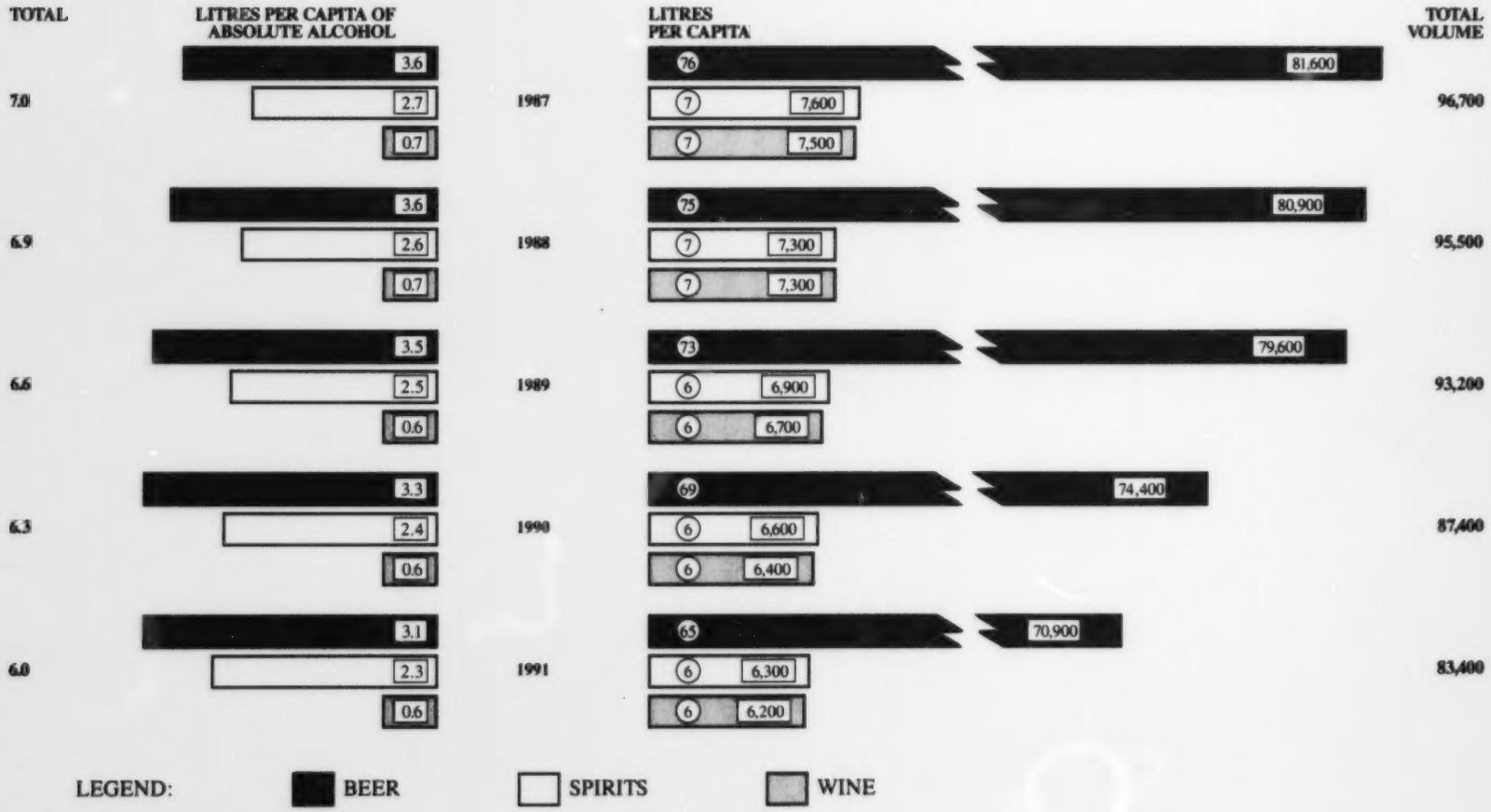
SALES VALUE OF LIQUOR SOLD IN MANITOBA

(in millions)

Note: Cooler and Cider sales are included in Wine sales.

VOLUME OF LIQUOR SOLD IN MANITOBA

(000's of Litres)



Notes:
- The Manitoba population of 1,092,600 for fiscal 1991 was based on Statistics Canada's preliminary estimate of October 1, 1990.
- Cooler and Cider sales are included in Wine sales volume.

GOVERNMENT OF THE PROVINCE OF MANITOBA

THE LIQUOR CONTROL COMMISSION

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles with the exceptions of those disclosed in Note 2. In management's opinion the financial statements have been properly prepared and of necessity include some amounts based upon management's best estimates and judgements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

D.E.R. Smith,
President & Chief Executive Officer

A. B. Ahoff, C.A.,
Vice President, Finance

Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of The Liquor Control Commission as at March 31, 1991 and the statements of income and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Note 2 reflects that the Commission's unfunded pension liability as at March 31, 1991 was $17,794,000. Had this unfunded pension liability and the associated pension costs been recorded in the financial statements, the Commission's liabilities would have increased by $17,794,000. The net profit payable to the Province of Manitoba over the years would have decreased in total by that amount, of which $1,159,000 relates to pension costs for the year ended March 31, 1991.

In our opinion, except for the failure to record the information referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

F. H. Jackson, CA
Provincial Auditor

Winnipeg, Manitoba
June 20, 1991

GOVERNMENT OF THE PROVINCE OF MANITOBA

THE LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1991
($000's)

	1991	1990
Sales:		
Stores and liquor vendors (Note 4)	$168,384	$173,849
Licensees	179,704	186,493
	348,088	360,342
Cost of Sales:		
Stores, liquor vendors, licensees	192,609	196,920
Gross profit	155,479	163,422
Other income (Note 5)	7,305	8,570
	162,784	171,992
General and administrative expenses (Note 6)	25,751	24,490
Operating profit before fixed assets charged to operations	137,033	147,502
Fixed assets charged to operations (Notes 2 and 7)	1,474	1,553
Net profit paid or payable to the Province of Manitoba	$135,559	$145,949

GOVERNMENT OF THE PROVINCE OF MANITOBA

THE LIQUOR CONTROL COMMISSION

BALANCE SHEET
AS AT MARCH 31, 1991
($000's)

ASSETS

	1991	1990
Current Assets:		
Cash on hand and in banks	$ 3,695	$ 2,596
Accounts receivable - claims and other	1,370	293
Inventory (Note 3)	13,536	14,639
Prepaid expenses and supplies	439	375
	$19,040	$17,903

LIABILITIES

Current Liabilities:		
Accounts payable - trade and other	$10,375	$ 9,013
Net profit payable to the Province of Manitoba	1,985	2,416
Goods & Services Tax payable	892	-
Manitoba Retail Sales Tax payable	763	1,443
Environmental Protection Tax payable	104	109
Deferred licence fees	421	422
	14,540	13,403
Non-interest bearing working capital advance provided by the Province of Manitoba	4,500	4,500
	$19,040	$17,903

APPROVED ON BEHALF OF THE COMMISSION:

Chairman

President and
Chief Executive Officer

Vice President,
Finance

GOVERNMENT OF THE PROVINCE OF MANITOBA

THE LIQUOR CONTROL COMMISSION

SCHEDULE OF SALES, COST OF SALES AND GROSS PROFIT
FOR THE YEAR ENDED MARCH 31, 1991
($000's)

	Spirits	Wine	Coolers/ Ciders	Beer	Total
Sales:					
Stores and liquor vendors	$117,722	$32,454	$3,766	$ 14,442	$168,384
Licensees	21,950	7,531	585	149,638	179,704
Total Sales for 1991	$139,672	$39,985	$4,351	$164,080	$348,088
Total Sales for 1990	$145,448	$39,414	$4,957	$170,523	$360,342
Cost of Sales:					
Total Cost of Sales for 1991	$ 62,327	$18,458	$2,468	$109,356	$192,609
Total Cost of Sales for 1990	$ 64,407	$17,900	$2,800	$111,813	$196,920
Gross Profit for 1991	$ 77,345	$21,527	$1,883	$ 54,724	$155,479
Gross Profit for 1990	$ 81,041	$21,514	$2,157	$ 58,710	$163,422
Gross Profit as a Percentage of Sales for 1991	55.4	53.8	43.3	33.4	44.7
Gross Profit as a Percentage of Sales for 1990	55.7	54.6	43.5	34.4	45.4

GOVERNMENT OF THE PROVINCE OF MANITOBA

THE LIQUOR CONTROL COMMISSION

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1991
($000's)

	1991	1990
Cash Receipts:		
Sales - spirits, wine, coolers/ciders & beer	$348,088	$360,342
Annual and supplementary licence fees and other	7,150	9,136
Manitoba Retail Sales Tax	17,504	20,447
Goods & Services Tax	4,685	-
Environmental Protection Tax	1,560	1,067
	378,987	390,992
Cash Disbursements:		
Purchases - merchandise, federal duty, excise and sales taxes, etc.	191,105	196,553
General and administrative expenses	25,768	24,753
Fixed assets charged to operations	1,483	1,557
Manitoba Retail Sales Tax	18,184	20,572
Goods & Services Tax	3,792	-
Environmental Protection Tax	1,565	958
	241,897	244,393
Net cash available for transfer	137,090	146,599
Transfers to Minister of Finance:		
Current year profit	133,574	143,533
Prior year profit	2,417	1,902
	135,991	145,435
Excess of receipts over disbursements/transfers	1,099	1,164
Cash on hand and in banks, beginning of the year	2,596	1,432
Cash on hand and in banks, end of the year	$ 3,695	$ 2,596

GOVERNMENT OF THE PROVINCE OF MANITOBA

THE LIQUOR CONTROL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1991
($000's)

1. NATURE OF ORGANIZATION

The Liquor Control Commission was formed in 1923 as an agency of the Government of Manitoba under the Government Liquor Control Act. The Commission's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the Commission; and to do all such things necessary to effect the provisions of The Liquor Control Act.

2. ACCOUNTING POLICIES

The Commission follows generally accepted accounting principles with the following modifications:

a. **Fixed Assets**

Fixed assets are charged to operations in the year acquired.

b. **Pensions**

In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Commission contributes 50% of the pension disbursements made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation fund. Based on formulas provided in an actuarial report completed as at December 31, 1989, the unfunded liability on a non-indexed basis for the Commission's employees amounted to $17,794 as at March 31, 1991 (1990 - $16,635).

c. **Vacation Benefits**

Accrued vacation pay is not recorded. The unrecorded liability as at March 31, 1991 is approximately $1,284 (1990 - $1,219).

3. INVENTORY AT COST

	1991	1990
In bond merchandise	$ 7,667	$ 8,137
Duty paid merchandise	5,869	6,502
	$13,536	$14,639

The amount of unpaid and unrecorded Customs, Excise duties and Sales tax on owned merchandise held in bond was approximately $3,576 at March 31, 1991 (1990 - $3,828).

4. SALES - STORES AND LIQUOR VENDORS

	1991	1990
Sales to liquor vendors	$ 31,320	$ 32,322
Discounts	(2,693)	(2,721)
	28,627	29,601
Store sales	139,757	144,248
	$168,384	$173,849

5. OTHER INCOME

	1991	1990
Border point levies	$2,992	$2,048
Supplementary licence fees	1,816	3,768
Occasional permits additional fees	1,324	1,467
Annual licence fees and licence application fees	453	454
Occasional permits	444	490
Miscellaneous	276	343
	$7,305	$8,570

6. GENERAL AND ADMINISTRATIVE EXPENSES

	1991	1990
Salaries and benefits	$16,406	$15,366
Leased premises - rentals (Note 8)	2,558	2,280
Superannuation	1,188	1,176
Maintenance and repairs	913	832
Delivery charges	868	972
Utilities	704	674
Printing, postage and supplies	610	672
Grants in lieu of taxes	507	506
Health and post secondary education tax levy	351	334
Travelling	265	258
Equipment rentals (Note 8)	235	258
Protective services	197	185
Informational programs	188	288
Product analysis	165	182
Crown Corporations Council levy	159	54
Miscellaneous	143	147
Staff training	141	115
Board of Commissioners - salaries and expenses	60	61
Audit, legal and other professional fees	52	85
Licensing Board - salaries and expenses	41	45
	$25,751	$24,490

7. FIXED ASSETS

	1991	1990
Fixed assets charged to operations:		
Systems development	$ 633	$ 557
Leasehold improvements	408	470
Equipment and furnishings	334	465
Automobiles	99	61
	$1,474	$1,553

8. LONG-TERM LEASES

a. The Commission leases its head office and 13 other buildings from the Government of the Province of Manitoba for the nominal sum of two dollars effective August 1, 1985, for a period of 99 years.

b. The Commission leases another 39 buildings. Leases have expiry dates ranging from 1991 to 2008.

The future minimum lease payments for each of the next five years are as follows:

Year Ending March 31	
1992	$2,021
1993	1,902
1994	1,782
1995	1,452
1996	1,135

c. The Commission leases Hewlett-Packard computer equipment. Leases on the Hewlett-Packard computer equipment have expiry dates ranging from 1991 to 1995.

The future minimum lease payments for each of the years to the expiry of the contracts are as follows:

Year Ending March 31	
1992	$252
1993	238
1994	226
1995	211
1996	153

9. COMPARATIVE FIGURES

Prior year's comparative figures have been restated to conform to the classifications adopted for the fiscal year ended March 31, 1991.

APPENDIX I

LIQUOR STORES

The Commission's 49 **SELF-SERVE** stores were in operation at the following locations:

21 in the City of Winnipeg

St. James-Assiniboia - Charleswood

Unicity Mall, 3605 Portage Avenue
Portage & Ainslie
Madison Square
Charleswood, 4910 Roblin Boulevard

St. Boniface-St. Vital

Dominion Shopping Centre
St. Vital, 107 Niakwa Road
St. Vital Square

Winnipeg Centre

Hargrave & Ellice
Eaton Place
Portage & Burnell

North/West Kildonan

Main & Manitoba
Northgate Shopping Centre
Main & Jefferson
Tyndall Market Mall

Winnipeg South

River & Osborne
Grant Park Plaza Shopping Centre
Fort Garry, 1235 Pembina Highway
Fort Richmond, 2855 Pembina Highway

East Kildonan

Regent Park Shopping Centre
Northdale Shopping Centre
Eastwinds Shopping Centre

28 outside the City of Winnipeg

Beausejour
Brandon, 10th & Victoria Avenue
Brandon, Brandon Shoppers Mall
Carman
Churchill
Dauphin
Flin Flon
Gimli
Killarney
Lac du Bonnet
Melita
Minnedosa
Morden
Morris
Neepawa
Pine Falls
Portage La Prairie
Rivers
Roblin
Russell
St. Pierre-Jolys
Selkirk
Souris
Swan River
The Pas
Thompson
Virden
Winnipegosis

APPENDIX II
172 LIQUOR VENDORS (99 SELF-SERVE)

ALEXANDER.....Klassen's Food Mart Ltd.
ALONSA.....Fashoway Cafe & Confectionery
ALTONA.....Altona Cleaners Ltd.
ANOLA.....Anola Lucky Dollar
ARBORG.....Arborg Pharmacy
ARGYLE.....Brindley's General Store
ASHERN.....Ashern Pharmacy
AUSTIN.....J & D Austin Solo

BALDUR.....Baldur Variety Store
BELMONT.....Belmont Allied Hardware
BENITO.....Benito Drug Store
BINSCARTH.....DJ's Grocery & Meats
BIRCH RIVER.....Birch River Sporting Goods & Hardware
BIRD RIVER.....Tall Timber Lodge
BIRDS HILL.....Birds Hill Store
BIRTLE.....Birtle Pharmacy
BISSETT.....Bissett Variety Shop (1988)
BOISSEVAIN.....Houston & Son Co. Ltd.
BRUXELLES.....Marginet's Grocery & Hardware

CAMPERVILLE.....Clarkson's Grocery Corporation
CANADIAN FORCES BASE SHILO...BX Shopping Centre
CARBERRY.....Spud City Food Mart Ltd.
CARTWRIGHT.....Cartwright Health Centre
CLANDEBOYE.....Clandeboye Store
CRANBERRY PORTAGE.....Streamer Hardware
CYPRESS RIVER.....Anderson's Solo Store

DELORAINE.....Clelland's Enterprises
DOMINION CITY.....BJ's Variety Store (1990)
DUGALD.....Dugald Convenience Store

ELGIN.....West Elgin Mall
ELIE.....Elie Grocery Store
ELKHORN.....Twin Valley Co-Op Ltd.
ELM CREEK.....Rose's Grocery
ELMA.....Lycar Holdings Ltd.
EMERSON.....Holly's Food & Hardware Ltd.
ERICKSON.....Mountain Park Pharmacy
ERIKSDALE.....Lucky Dollar Foods
ETHELBERT.....Lucky Dollar Economy Store

***FALCON LAKE**.....Falcon Lake Drugs
FANNYSTELLE.....Hamel's General Store
FISHER BRANCH.....Fisher Branch Pharmacy
FRASERWOOD.....Welchinski Esso Service

GARSON.....Garson Grocery Ltd.
GILBERT PLAINS.....Gilbert Plains Pharmacy
GILLAM.....Chamdon Enterprises Ltd.
GLADSTONE.....Boschman's Gladstone Pharmacy
GLENBORO.....Glenboro Pharmacy
GLENELLA.....Preisentanz's General Store
GLENORA.....Glenora Hardware Store
GRAND MARAIS.....Grand Marais Village Store
GRANDVIEW.....Grand Plains Home Hardware
GREAT FALLS.....Shindruk's Self Serve
GROSSE ISLE.....Grosse Isle Superstore Inc.
GYPSUMVILLE.....Gypsumville Supply

HADASHVILLE.....Hadashville General Store
HAMIOTA.....Hamiota Echo Publications Ltd.
HARTNEY.....Hartney Variety Store
HAZELRIDGE.....Hazelridge Foods (1990)
***HECLA ISLAND**..R. H. Williams General Merchant
HODGSON.....Skibinski's General Store
HOLLAND.....Budz Home Hardware

ILE DES CHENES..Ile Des Chenes Shopping Centre
INGLIS.....Inglis Locker Plant
INWOOD.....J.O. Olsen & Sons Ltd.

KELWOOD.....Cadle's Solo Store
KENTON.....Kenton Prime Tyme 89
KOMARNO.....Komarno Quality Store

LA BROQUERIE.....Le Bon Ami
LA SALLE.....La Salle General Store
***LAKE METIGOSHE**.....Holiday Hills Grocery
LANGRUTH.....Farncombe's Food Centre
LAURIER.....T & R General Store
LEAF RAPIDS.....Leaf Rapids Pharmacy
LETELLIER.....Gallant's Lucky Dollar
LIBAU.....Libau Trading Post Inc.
LORETTE.....Chez Heather Shop
LUNDAR.....Lundar Pharmacy Ltd.
LYNN LAKE.....Clarke's Pharmacy

MacGREGOR.....MacGregor Lo-Cost (1987)
MAFEKING.....Doan's General Store
MANITOU.....Langseth's Pharmacy Ltd.
MARIAPOLIS.....Pouteau Solo
McAULEY.....Watson's Food Plus
McCREARY.....Reischek's Pharmacy
MEDORA.....Medora Trading Ltd.
MIAMI.....Westaway's Pharmacy

MINIOTA.....Andrew Agencies Ltd.
MINITONAS.....Nemetchek Enterprises
MINTO.....Community Market
MOOSEHORN.....Moosehorn Supply

NARROWS.....The Narrows General Store
NEWDALE.....Switzer Agencies
NINETTE.....Mainstyle Variety
NOTRE DAME DE LOURDES.....Notre Dame Shopping Centre
***NUTIMIK**.....Nutimik Lodge

OAK LAKE.....Valleyview Oak Lake Co-Op
OAK RIVER.....Oak River Agency
OAKBANK.....Family Fare
OAKBURN.....Oak-Site Grocery
OAKVILLE.....Oakville Super Market
ONANOLE.....Onanole Hardware

PIERSON.....Phair's Hardware
PILOT MOUND.....Pilot Mound Lucky Dollar
PINAWA.....Northern Stores Inc.
PINE RIVER.....Semeniuk's Groceteria
PIPESTONE.....K & D's Lucky Dollar
PLUMAS.....Plumas Solo Store
POINTE DU BOIS....Pointe du Bois Supply Co. Ltd.
POPLAR POINT.....Poplar Point General Store
POPLARFIELD.....B & I Food Town
POPLARFIELD.....Poplarfield Groceteria

RAPID CITY.....Waldon Insurance Agencies
RATHWELL.....Rathwell Solo & Hardware
RENNIE.....Rennie Grocery & Hardware
RESTON.....Reston Drugs
RICHER.....Burnells Food Plus
RIDGEVILLE.....Ridgeville Co-operative Community Club
RIVERTON.....Thorarinson's General Store
ROLAND.....Roland E-Z Mart
RORKETON.....Pulak's General Store
ROSSBURN.....L.P.K. Enterprises
ROSSENDALE.....Rossendale Country Store

ST. ADOLPHE.....Village Groceries & Meats
ST. AMBROISE.....St. Ambroise General Store
ST. CLAUDE.....St. Claude Florist & Photo
ST. EUSTACHE.....Allard R & L Store
ST. FRANCOIS XAVIER.....Na's Food Mart
ST. JEAN BAPTISTE.....Bolduc's Variety Store
ST. LAURENT.....Chartrand's Grocery
ST. LAZARE.....J.C. & O.J. Ltée.
ST. MALO.....St. Malo Co-operative Ltd.
STE. AGATHE.....Ste. Agathe Grocery
STE. ANNE.....Ste. Anne Sundries
STE. ROSE DU LAC.....Ste. Rose Variety Shop
SANDY LAKE.....Sandy Lake Hardware
SANFORD.....Sanford Lumber & Building Supplies
SARTO.....Sarto General Store
SEVEN SISTERS.....Genie's Gift & Novelties
SHILO.....Crang's Grocery
SHOAL LAKE.....Henderson's Pharmacy
SIFTON.....Boguski Grocery
SNOW LAKE.....Northern Stores Inc.
SOMERSET.....Pittet's Lucky Dollar
SPERLING.....Sperling Grocery
SPRAGUE.....Carl's Solo Store
SPRINGFIELD.....Garven Solo Store
STARBUCK.....Starbuck Barber Shop
STEAD.....Lesosky General Store
STONEWALL.....Stonewall Pharmacy Ltd.
STONY MOUNTAIN. . .Mountainview General Store
STRATHCLAIR...Strathclair Consumers Co-op Ltd.
SUNDANCE.....Sundance Shopping Centre
SUNDOWN.....Eliuk's Solo Store
SWAN LAKE.....Stevenson's Pharmacy Ltd.

TEULON.....Duncan Pharmacy Ltd.
TOLSTOI.....Hall's Val-u Foods
TRAVERSE BAY.....Traverse Bay Corner Store
TREHERNE.....Pinder's Pharmacy

VASSAR.....Vassar General Store
VITA.....Sumthing Special Florist & Gift Shop

WABOWDEN.....Dwyer's General Store
WANLESS.....Forest Grove Meat & Grocery
WARREN.....Pete's General Store
WASKADA.....Wilbro Enterprises Inc.
WATERHEN.....North Star Tourist Camp
WAWANESA.....Wawanesa Pro Hardware
WEST HAWK LAKE.....West Hawk Motel
WESTBOURNE.....West Lake Agencies
WHITEMOUTH.....Whitemouth Sundries
WINNIPEG BEACH.....McGregor's Drug Store Ltd.
WOODLANDS.....Studler's General Store
WOODRIDGE.....Woodridge General Store

*Seasonal Liquor Vendor
(open mid May to mid September)